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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 000103

SENSITIVE
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TAGS: EFIN EREL ETRD PGOV PINR UP XH
SUBJECT: IMF AGAIN DISMAYED BY UKRAINIAN AUTHORITIES

REF: KYIV 89

Classified By: Acting Economic Counselor Kaye Lee for Reasons 1.4 (b) a
nd (d)

¶1. (C) Summary. IMF resident representative Max Alier expressed frustration and dismay at the GOU's recent public statements falsely announcing the impending arrival of an IMF technical assessment team. Alier said the GOU had resorted to "pressure tactics" and that Deputy Prime Minister Nemyria and Acting Finance Minister Umanskiy had been behaving "erratically" since mid-December. Alier further noted that last week's GOU delegation to Washington, led by Deputy Finance Minister Myarkovskiy, had been devoid of an obvious goal. IMF's "best case scenario" for re-engaging Ukraine's authorities includes re-starting talks with the new President's transition team in mid-February and sending an IMF mission team as early as mid-March. Alier privately agreed, however, that such a timeframe might be overly optimistic given concerns about post-election court actions and other related delays. End Summary.

IMF "BAFFLED" AT GOU ANNOUNCEMENT

¶2. (C) Alier told Econoff on January 20 that the Fund had been "baffled" at Deputy Prime Minister Nemyria's January 19 public statement that the IMF was sending a technical team to Ukraine in the coming days. After immediately and directly rejecting this possibility with Ukraine's Cabinet of Ministers, Alier said he was "shocked" when Acting Finance Minister Umanskiy repeated the same claim to journalists the following day. Alier said he had been left with no other choice than to refute the GOU's story in an interview with a local business daily.

¶3. (C) The IMF had come to the conclusion that Nemyria and Umanskiy were suffering the effects of heavy pressure from Prime Minister Tymoshenko over the economy and the presidential election. Nemyria particularly was singled out by Alier for his erratic behavior since mid-December 2009.

IMF UNCERTAIN ABOUT RECENT GOU DELEGATION

¶4. (C) The Fund also had been confused about the purpose of last week's GOU delegation to Washington, led by Deputy Finance Minister Myarkovskiy, especially since it had come so soon after Nemyria and Umanskiy's own highly publicized visits. Alier said the IMF had appreciated information passed by Myarkovskiy to the Fund's budget experts, but noted that the trip had seemed "highly unnecessary" without any other clear goal or message. Alier concluded that Nemyria had dispatched Myarkovskiy to Washington as a response to

pressure from Tymoshenko to "do something" about Ukraine's off-track loan program. (Note: Umanskyi told the Ambassador that the team had been dispatched to Washington to work out a way for the GOU to access \$2 billion in reserves at the National Bank. See Reftel. End Note.)

BEST CASE SCENARIO FOR RE-ENGAGEMENT

15. (C) Alier said the Fund had been operating under a "best case scenario" in its planning for further negotiations in Ukraine. The IMF was prepared to send technical advisors to meet with the new President's transition team in mid-February and had slated mid-March for the arrival of a full mission team. New IMF mission director Athanasios Arvanitis would have the mandate to take a "fresh look" at Ukraine's economic jQQCQXM1QtQQ[